

**ITMC Committee  
ROI Task Force  
ROI Process Questions  
9-28-00**

The following questions need to be couched in the understanding that all projects of any substance should consider the benefits of the expenditure as well as the costs of not completing the expenditure. An effective ROI program such as has been started can be used for this analysis. However, when referring to ROI, the committee is interested in learning when the process should be completed for submission to an approving authority outside the agency. It is also important to stress the recognition that this process should not get to the point where the extra work required affects productivity and is no longer value added.

**When ROI Required**

1. When is ROI required?

July 5 memo discusses that it must be used in conjunction with "most new IT funding requests" The exception noted is routine hardware and software replacement that is an upgrade. Memo also cites two examples:

--Any budget decision-package that included non-routine expenditures--Explain if the \$100,000 amount applies.

--Any IT expenditure contained in the base budget that is in total at least \$100,000.

In addition to budget request process there are times when new technology needs may arise during an operating cycle. Do these decisions require submission of ROI justification?

2. July 5 memo indicates that the ROI is for any decision package that includes non-routine IT expenditures. Define non-routine.
3. July 5 speaks to any IT expenditure contained in the base budget that is in total at least \$100,000 Does the \$100,000 threshold apply to non-routine expenditures contained in the base? Do routine expenditures apply to the base? If so, how do you see this happening and why?
4. What is there a timeframe for completing and submitting? Does it change depending on whether this is a budget decision package, in the base, or Pooled Technology, etc?
5. Is a ROI needed for RFPs? If so, why? At what point in the RFP process would a ROI document need to be submitted? What is the timeline for submitting and requirements?
6. There is some confusion over the ITD Procurement Process and the ROI process. Clarify if the ROI is required for large hardware/software purchases over \$100,000. If the ROI intent is for services, which may include hardware and software, what services shall be included?
7. Is it anticipated that the deadline for submitting the ROI with the budget requests will remain the same year after year? Can this be determined and specified in the written documentation regarding the procedures.
8. Are there times when the ROI needs to be submitted to someone different? In other words, for the Pooled Technology we submitted to Project Office. If someone is doing one for the FY 02 budget is it submitted to Project Office or to DOM?
9. Are there times when the content of the ROI will differ? If so, please explain.

What is the objective of the ROI process? Realizing that there are multiple reasons and explanations that have been given it would be helpful if this question was considered as containing several possible

## ROI Task Force Questions Continued

parts:

- Public state policy makers-- legislature and governor , department of management for budget
- Individual departments
- Other departments
- ITD
- Vendors

Not looking for abstract answers but hoping to get some information developed which will help explain the WHY we do it as well as what must be done and when it must be done.

10. ROI projects can span multiple fiscal years. Some ROI's are approved, even though the annual maintenance is not known. In some cases unknown additional project costs may arise. Are there specific requirements or expectations for these projects in terms of reporting, requesting approval, etc.? If so, what might those be?

### **Funding and Reimbursement/Payment**

11. July 13 letter indicates that agencies have the choice of one of two methods to obtain payment or reimbursement for projects under the Pooled Technology Account. For decision packages, it is not expected that this process would be utilized, rather the funding would be in the agency budget and handled as the case in the past. Is this a correct assumption? Please clarify.
12. Clarification is requested to confirm that the July 5<sup>th</sup> memo applies to only state budget and Pooled Technology funding requests.
13. What funding sources are available outside the Pooled Technology Funds and base budget or decision packages for which a ROI would be required? Are there other funding sources that require the submission of the ROI process, i.e. federal funding?
14. Does the funding source affect whether a formal ROI is done?
15. Should we consider developing a formal and informal ROI process or what might be called a long form and short form? Maybe it's already there, please clarify in case the group is missing it.
16. Are there times when only a portion of the ROI document is completed? If so, please clarify.

### **Evaluation and Notification**

17. Who are the evaluators of the ROI's? Is there cross agency representation? What objectivity is built into the process?
18. What is the evaluation process and criteria? How many days later can the agency expect to hear whether the ROI was approved or rejected? What is the schedule for review and evaluation of ROI's submitted?
19. What is the official notification procedure regarding the ROI, ensuring that the entity preparing the ROI has been informed and knows what the next steps are?
20. Agencies should be able to expect notification in writing with an explanation of the reasoning for the approval or rejection. This needs to be included in a written procedure, which is distributed to the agencies. What is the plan for preparing such documentation for distribution to agencies?
21. What is the ROI process once the agency is awarded funds approved through the ROI process? Is it the same for all funding sources?

22. If an ROI is rejected, what is the appeal process? Does rejection stop the agency from moving ahead? What if the ROI is a federal mandate and requires partial funding from the State, does that ensure approval?

### **Roles and Responsibilities**

23. What are the agency, DOM, Project Office, ITD, (other?) roles, rights and responsibilities, prior to submitting the ROI, and after the ROI approval process?

#### ***Suggestion Responsibilities After ROI Award:***

##### **Agency responsibilities:**

- Project management
- Project oversight
- Project Audit—insuring meets ROI document results and ITD standards approved in the ROI review/award process
- Project Purchasing
- Project Budget Revision and approval
- Project Timeline Revision and approval

##### **ITD Responsibilities:**

- Assist with the development of the ROI form
- Review ROI prior to award to insure meets ITD standards, (technical review?).
- Reimburse or pay project expenditures to the agency.

24. What is the procedure for handling the projects that have been grouped and cover multiple agencies? How will the projects be managed? What is the expectation for coordination and input? When there are issues, is there a problem resolution process in place? Please document the process for joint projects, with emphasis on coordination and project control by agencies involved.

### **Pooled Technology Funds**

25. What is the expectation for use of the Pooled Technology Funds for this year and the future? What is the process and how and when do agencies apply? When is the money requested? How, with budget requests, at some other point in time, i.e. after fiscal year end, etc.? When will the agencies be notified of approval/rejection and how? When agencies can begin their projects?
26. There has been some interpretation by some that any decision package not approved when the ROI was completed, or approved through the ROI process, but not added to the agencies' budgets will automatically be put on a list of prioritized items for the Pooled Technology Funding after fiscal year end? Is this correct? Does that mean that agencies have no other opportunity to submit requests for Pooled Technology funding other than in the budget process prior to October 1 each year?
27. Since ITD is responsible for the Pooled Technology Funding Budgets, how will this be tracked and reported by ITD? How will the tracking be communicated to the agencies, DOM, oversight committee, Governor etc?

### **Tracking, Reporting and Auditing**

28. What are the reporting requirements for base budget items and decision packages, where an ROI has been completed and approved? Who does the department report to, when and how often?
29. Will there be an audit process to determine if the agencies have achieved the return on investment? If so, what will that be, when will it be done, how often, what are the requirements and expectations of DOM, ITD and the Governor's Office? It would be assumed that reporting would not be a

complicated or labor intensive process and that current procedure might fold easily into the requirements of the entities above.

**Recommendations**

30. It would be helpful if several matrixes could be produced to create a quick visual reference for agencies regarding the ROI processes and procedures. Some examples might be:
  - For determining when the ROI must be completed, i.e. if it is in the base, but over \$100,000.
  - Outlining the roles of the various entities.
  - Outlining what happens after approval of the ROI
  - Outlining the procedure for appeal of rejected ROI's
31. In order to ensure all agencies have a good understanding of the ROI process, Pooled Technology Funding procedures, re-engineering and innovation funding procedures (which may or may not be tied to the ROI process); the committee is recommending that a Process Description be published and distributed to each agency department head and IT manager in addition to being placed on the web. As well, a the communication mechanism needs to be reexamined to ensure that various means of communication are in place that will ensure all interested parties are informed. When updates or changes are necessary, it will be important to inform all effected entities.